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October 11, 2007

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551  
[regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

**Re: Proposed Revisions to Regulation Z, Docket No. R-1286**

Dear Ms. Johnson:

Capital One Financial Corporation (“Capital One”) is pleased to submit this comment on the Board’s proposed revisions to Regulation Z.<sup>1</sup>

Capital One Financial Corporation is a financial holding company whose principal subsidiaries, Capital One, N.A., Capital One Bank, and Capital One Auto Finance, Inc., offer a broad spectrum of financial products and services to consumers, small businesses, and commercial clients. As of June 30, 2007, Capital One’s subsidiaries collectively had \$85.7 billion in deposits and \$144 billion in managed loans outstanding, and operated more than 720 retail bank branches. Among its product lines, Capital One is one of the largest issuers of Visa and MasterCard credit cards in the world. Capital One is a Fortune 500 company and is included in the S&P 100 Index.

The Board’s proposal is an ambitious and comprehensive revision of the Regulation Z provisions on open-end lending, which Capital One endorses as a major positive advance in open-end credit disclosure. The Board’s proposed revisions have many strengths. In particular:

- They bring the regulatory disclosure regime in line with industry developments over recent decades.

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<sup>1</sup> 72 Fed. Reg. 32948 (June 14, 2007).

- They focus on the clarity, utility, and relevance of disclosures.
- Perhaps most importantly, they are thoroughly based in actual consumer research, as a necessary guide to determining what consumers need and will use.

Although we have several suggestions for changing aspects of the Board's proposal, our suggestions do not detract from our overall view that the proposed revisions are an extremely positive advance.

## **1. Repricing Credit Card Accounts**

### **a. Customers should have the right to reject unilateral increases in interest rates, including penalty repricing.**

The most significant and controversial element in the Board's proposed revisions to Regulation Z is its proposal that credit card issuers be required to provide at least 45 days' notice to customers before implementing a "penalty repricing" – raising the customer's interest rate because of the customer's having broken one of the rules of the account, such as by paying late.<sup>2</sup> Under the current regulatory regime, if the credit card issuer discloses to the customer the default-repricing triggers at the inception of the account, it need not give notice prior to implementing the penalty interest rate. Consequently, with some credit card issuers, the only notice that the customer receives of penalty repricing is that the next periodic statement they receive shows a higher interest rate.

We support the Board's initiative to give customers improved notice. Further, we support the Board's proposal that the notice be sent 45 days in advance of repricing to give customers an opportunity to shop for alternative credit. We recognize that that proposal is likely to be controversial with lenders who feel that the existing regulatory regime works effectively, and that the 45-day advance notice will cost substantial lost revenue as a result of the delay in implementing the penalty interest rate.

However, we believe that the Board should go significantly further: The Board should permit customers to reject the new interest rate, cease using the credit card, and pay off the existing balance at the previously applicable rate. This is a right that most credit card issuers give customers with respect to broad-based or change-in-terms repricing subject to Regulation Z § 226.9(c) (currently requiring 15 days' advance notice); we think that customers should have the same right with respect to default repricing. The best credit card rates and terms are often directly marketed, and are not available to consumers who request the credit card on their own initiative. This is

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<sup>2</sup> Proposed Regulation Z § 226.9(g), 72 Fed. Reg. at 33012.

Some credit card issuers also engage in penalty repricing if the customer has broken an account rule on another account, or on an account with some other creditor, or if the customer's creditworthiness as reflected in a credit bureau report has declined. This practice is sometimes referred to as "universal default."

especially true of favorable balance-transfer interest rates. While the 45-day period may seem sufficient for shopping purposes, there is no guarantee that a customer will receive a competitive unsolicited balance-transfer offer during that period. As Comptroller of the Currency John Dugan remarked in a recent speech, “what if no other card company would be willing to roll over the balance at a lower rate? ... The practical reality is that the consumer would get stuck paying the higher rate on the full amount of his or her outstanding balance, because there would be no realistic alternative.”<sup>3</sup> For this reason, to empower consumers as the Board seeks to do, the Board should also give consumers the right to reject the new interest rate and pay down the existing balance on the previous terms.

We note that the Comptroller has proposed that consumers be given exactly that right, but that it not extend to instances in which the consumer is repriced because of a rule infraction on the account that is repriced – *i.e.*, that the right be limited to instances of “universal default.”<sup>4</sup> We endorse the Comptroller’s initiative and vision in moving beyond disclosure to the conclusion that a substantive right to reject the new rate is necessary. But we think that that right should apply to all forms of repricing, including all default or penalty repricing, regardless of whether the grounds for repricing are characterized as “universal default.” This policy would eliminate the need to define the concept of “universal default” and would render unnecessary the debates over whether this or that practice falls within such a definition.

We appreciate that penalty repricing is an important risk-management tool for credit card lenders. We use that tool ourselves, with significant constraints and in limited circumstances.<sup>5</sup> But we think that the value of penalty repricing as a risk-management tool is outweighed by a number of other considerations, *and we further believe that these considerations apply to repricing based on infractions on the account being repriced, as well as to instances of “universal default”*:

- Customers may engage in major transactions at one interest rate, and then find, after penalty repricing, that they must pay off the resulting balances at a much higher rate. Customers should be given a choice as to whether to accept the new rate or cease using the card. This choice provides card issuers with an adequate means to address any increased risk created by the customer’s actions while also ensuring that customers gain certainty and are provided with choice and control.

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<sup>3</sup> Remarks by Comptroller of the Currency John C. Dugan to the Financial Services Roundtable, September 27, 2007, at pp. 7-8.

<sup>4</sup> *Id.* at p. 8.

<sup>5</sup> We believe that our repricing policy is generous to customers by current industry standards. At Capital One, a customer cannot be repriced on an account unless the customer pays late on that account by at least three days, two times in one 12-month period; and the customer receives clear notice on the occasion of the first late payment that a second late payment may trigger repricing. The customer who is repriced automatically reverts to the applicable non-penalty rate after paying on time for another 12 months.

- The current penalty repricing regime may be an invitation to some credit card lenders not to engage in rigorous underwriting and interest-rate assignment at account inception, expecting that penalty repricing later on can mitigate the effects of unsound credit decisions.
- Some credit card lenders could be tempted, by the availability of penalty repricing, to market credit cards at low interest rates (particularly, at low introductory rates for long introductory periods) that the lenders know are uneconomic, setting hair-trigger penalty terms so that a substantial proportion of the customers will be repriced to make the portfolio profitable.

For these reasons, we think that a fair and balanced credit card regulatory regime requires that customers be enabled to reject interest rate increases, whether penalty increases or change-in-terms repricing, and pay down the existing balance over time.

The Board has sufficient legal authority to require that customers be given the opportunity to reject interest rate increases. By analogy, although the Truth in Lending Act does not specifically authorize the 45-day notice for interest rate changes that the Board proposes, a substantial advance notice is necessary to make the content of the notice meaningfully usable by customers, and therefore the requirement is within the Board's overall authority under the Act to prescribe effective lending disclosures.<sup>6</sup> For the same reason – to make the disclosure meaningfully actionable by customers – the Board has sufficient authority under the Act to require that customers be given the right to reject the interest rate increases, as long as they make no further transactions on the account and pay it down over time.

In addition, the Board could regard the right of customers to reject interest rate increases as necessary to prevent unfair or deceptive practices, and therefore authorized under both the Truth in Lending Act and the Federal Trade Commission Act.<sup>7</sup>

**b. The required repricing notice should include the reason the customer is being repriced.**

The advance repricing notice that the Board has proposed includes several items of useful information, but one item that it does not include is the reason that the customer

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<sup>6</sup> TILA § 105(a), 15 U.S.C. § 1604(a).

<sup>7</sup> We emphasize that penalty repricing is not inherently an unfair or deceptive practice. On the contrary, it is a legitimate risk-management tool. It is a tool, however, that could be misused, as we have described above. Both the Truth in Lending Act and the Federal Trade Commission Act provide sufficient authority for the Board to promulgate rules sufficient to prevent those abuses from occurring. The Truth in Lending Act authorizes the Board to “prescribe regulations to carry out the purposes of [the Act],” *id.*, and those purposes include “to protect the consumer against inaccurate and unfair credit billing and credit card practices,” TILA § 102(a), 15 U.S.C. § 1601(a). And the Board’s rulemaking authority under the Federal Trade Commission Act encompasses “requirements prescribed for the purpose of preventing” unfair or deceptive acts or practices, FTC Act § 18(f)(1), 15 U.S.C. § 57a(f)(1).



is being repriced. We submit that that piece of information is also useful to customers and should be included – especially, as the Board points out, “in light of the relatively low contractual threshold for rate increases based on consumer delinquency, default or as a penalty,” so that customers may not expect the rate increase.<sup>8</sup> Illustrating the significance and utility of such a disclosure, one of the items that the Board does propose to require in the Notice is “the circumstances under which the delinquency or default rate or penalty rate ... will cease to apply to the consumer’s account ...”<sup>9</sup> If the circumstance for restoring the non-penalty rate is to pay on time for a year, it would be relevant for the customer to know that the event triggering the repricing was late payment. If the triggering event was delinquency on some other credit account with a different lender, it would be important for the customer to know that, too. Such a disclosure should not be difficult to draft, because the lender will already have included a statement of repricing triggers in the Schumer Box and can recite the same disclosure (or relevant part of the disclosure) in the repricing notice.<sup>10</sup>

**c. To facilitate the ability of customers to avoid repricing, the Board should encourage a regime in which the customer is not repriced until there is a second infraction, after receiving a warning upon a first infraction.**

Like some other credit card issuers, Capital One will not reprice customers based on a single account infraction. At least two infractions are necessary.<sup>11</sup> A customer who pays late receives a warning in the next periodic statement, in the hope that the customer will be stimulated by knowledge of the imminent risk of repricing to pay on time thereafter and not be repriced at all. We believe that this is a superior, and more customer-friendly, regime than a regime in which the customer, though receiving advance notice of repricing, cannot avoid the repricing other than by paying off the entire balance or finding another lending vehicle to transfer it to.<sup>12</sup>

The Board should encourage issuers to adopt such a multiple-infraction regime, by allowing the 45-day notice period of proposed section 226.9(g) to begin to run on the occasion of the first infraction, rather than the second. Under the rule as proposed, the notice could not be given at that time, because it would necessarily be contingent, and could not state a date on which the new, higher interest rate would go into effect. Therefore, under the rule as proposed, the notice period would have to begin on the

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<sup>8</sup> 72 Fed. Reg. at 33012.

<sup>9</sup> Proposed Regulation Z § 226.9(g)(3)(i)(C), 72 Fed. Reg. at 33058.

<sup>10</sup> Proposed Regulation Z § 226.5a(b)(1)(iv), § 226.6(b)(4)(ii)(c), 72 Fed. Reg. at 33046, 33050.

<sup>11</sup> Specifically, as described above, a customer cannot be repriced on an account unless the customer pays late on that account by at least three days, two times in one 12-month period. The customer automatically reverts to the applicable non-penalty rate after paying on time for another 12 months.

<sup>12</sup> Of course, giving the customer the ability to reject the repricing, close the account, and pay down the balance on the previous terms, as we advocate above, would substantially mitigate this situation.

occasion of the second infraction. The advance notice, however, entails significant cost to the lender in foregone interest revenue which lenders may not be willing to absorb in the case of customers who have already indicated potentially heightened risk with the first infraction.<sup>13</sup> Hence the rule as proposed might cause issuers who currently have a dual-infraction repricing regime to move to a single-infraction regime, a move that we submit would be detrimental to consumers. The Board should avoid that result by allowing the 45-day notice period to begin to run when notice of the first infraction is sent.<sup>14</sup>

## **2. Schumer Boxes**

The Board's proposed revisions to the Schumer Box, including requiring it to be delivered at account opening as well as at the marketing stage, represent a major improvement in a disclosure tool that was already, we believe, one of the most effective and most used by consumers in the lending world. We applaud the Board for its rigorous reliance on consumer research in determining what to include in the Schumer Box, what to leave out, and how to convey the information in the box. Though we have a number of suggestions for change, they are offered in the spirit of improving a disclosure vehicle that we believe is already, as proposed by the Board, outstanding.

### **a. The Schumer Box should include the credit line or range.**

We submit that the Schumer Box should include the amount of credit that the consumer will obtain. Credit line is a key fact of which consumers should be informed. When consumers are shopping for credit, they understandably want to know how much they are going to get.

The Board has rejected this suggestion, on the ground that the credit line depends on the consumer's creditworthiness and is not fully determined until the application has been submitted.<sup>15</sup> The Board is quite correct in its statement of how credit lines are assigned. We believe that the subject can be appropriately addressed by disclosing a range of credit lines in the solicitation-stage Schumer Box (credit card issuers do generally have a range in mind when marketing a credit card, and the range is often

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<sup>13</sup> Because the current notice of rate change appears in the periodic statement sent after the cycle in which the new rate is assessed, while the new advance notice must be given 45 days in advance, the actual period of foregone interest is not 45 days but closer to 90.

<sup>14</sup> Our recommendation on timing of the notice in a dual-infraction repricing regime is made in the context of the Board's rule as proposed, with an advance-notice requirement but without a requirement that the customer be allowed to reject the repricing, close the account, and pay down the outstanding balance on the former terms. Determining when the notice period should begin to run in a multi-infraction regime, if the Board adopts our recommendation that customers be given that choice, would require further consideration.

<sup>15</sup> 72 Fed. Reg. at 32984. The Board also states that, in consumer research, consumers were not confused by the common practice of marketing an "up to" credit limit, understanding that that amount was a maximum amount. *Id.* However, that consideration goes to the content of the disclosure, rather than to whether there should be a disclosure.

disclosed in the marketing materials, although the maximum and minimum are not necessarily to be found in the same place, or with equal prominence), and to disclose the actual credit line assigned in the account-opening Schumer box. This disclosure regime would closely parallel that proposed by the Board for APRs, in cases in which a range of APRs is marketed, and the exact APR is determined at the application stage.<sup>16</sup>

Including credit line in the Schumer Box in the way we suggest would require an exception to the Board's proposed rule that a change to any term disclosed in the account-opening Schumer Box requires a 45-day advance notice.<sup>17</sup> As the Board has observed, lowering a customer's credit line – sometimes immediately, without advance notice – is an essential risk-management tool.<sup>18</sup> If the effect of including credit line in the Schumer Box were to prevent issuers from using that tool, then certainly credit line should not be included in the Schumer Box. However, we think the better approach for the benefit of consumers is to include the term in the Schumer Box, including in the account-opening Schumer Box, but exempt it from the advance-notice requirement for changes in terms.

**b. The solicitation-stage Schumer Box should include foreign transaction fees.**

The Board proposes to include foreign transaction fees in the account-opening Schumer Box<sup>19</sup> but not in the solicitation-stage Schumer box. The Board states that, in consumer research, “participants did not tend to mention foreign transaction fees as important fees they use to shop,” and concludes that the fee is not important for a significant number of consumers.<sup>20</sup> We suggest that the Board revisit that conclusion. The foreign transaction fee is relevant to any consumer who travels in other countries, and the large amount of press attention that the issue has received suggests that the presence or absence of the fee is of interest to a significant number of consumers, and specifically that the ability to choose a credit card based on the presence of the fee is

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<sup>16</sup> Proposed Regulation Z § 226.5a(b)(1)(v), 72 Fed. Reg. at 33046 (solicitation stage), § 226.6(b)(4)(ii), 72 Fed. Reg. at 33050 (account opening).

There are cases in which the upper end of the credit range is sufficiently high that the lender would expect few applicants to qualify for it. For example, credit cards are sometimes offered with a credit line as high as \$50,000 or even \$100,000. In such cases, the lender might be reluctant to state the upper end of the range, so as to avoid unduly encouraging consumers to expect a credit line that they probably will not receive. We believe that such cases can be accommodated by allowing sufficient flexibility in the Schumer box disclosure, such as, “credit line: \$5000 or more,” or “credit line: \$5000 to \$15,000 or more.”

<sup>17</sup> Proposed Regulation Z § 226.9(c)(2)(iii)(A), 72 Fed. Reg. at 33056.

<sup>18</sup> 72 Fed. Reg. at 33012.

<sup>19</sup> Proposed Regulation Z, § 226.6(b)(4)(iii)(B), 72 Fed. Reg. at 33050.

<sup>20</sup> 72 Fed. Reg. at 32981.

important.<sup>21</sup> In order to make that choice knowledgeably, consumers need to be able to see the presence and amount of the foreign transaction fee in the solicitation-stage Schumer Box.

**c. The Board should stop using the term “grace period.”**

Although Congress, in the Truth in Lending Act, mandated the use of the term “grace period,”<sup>22</sup> this is one case where Congress’s choice was unfortunate. Research

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<sup>21</sup> For a sample of such press reports just in the last two years, see, e.g., *The Best Way To Get Cash While Overseas*, U.S. News & World Report, Sept. 5, 2007; *Fall foreign currency report*, Smarter Travel, Sept. 5, 2007; *Best Credit Cards for Summer Travel*, SmartMoney – Online, Aug. 23, 2007; *Before you go away on vacation, heed these banking tips*, MarketWatch.com, Aug. 6, 2007; *Getting your cash abroad*, Chicago Daily Herald, July 29, 2007; *Converting dollars abroad*, CNNMoney.com, July 17, 2007; *Savvy travelers know how to see Europe on the cheap*, The Modesto Bee, July 15, 2007; *Travel Updates*, Seattle Times, July 15, 2007; *Plastic Rules When Traveling Abroad*, Kiplinger.com, July 13, 2007; *Spending dollars abroad? Beware of conversion fees*, Courier Post – online; *The best bang for your buck abroad*, Fortune, July 6, 2007; *Trim travel costs by reducing currency conversion fees*, Times Union, July 2, 2007; *How to Pay in Euros*, Money, July 1, 2007; *Exchange rate can cast cloud on foreign trip*; Indianapolis Star – online; *The Best Credit Cards for Summer Travel*, SmartMoney – online; *Experts list best deals in cards*, Richmond Times-Dispatch, June 17, 2007; *Money Moves for Summer Travelers*, Investors.com, June 15, 2007; *Before going abroad, check out ways to reduce currency-exchange fees*, USA Today, June 5, 2007; *Going overseas? These cards have lowest fees on foreign purchases*, MarketWatch.com, May 28, 2007; *Best cards for foreign travel*; Bankrate.com, May 14, 2007; *Euronomics*, Wichita Eagle, May 13, 2007; *The Price is Right*, Washington Post, March 30, 2007; *Watch out for hidden credit-card fees: They’re easy to miss*, Belleville News-Democrat, March 18, 2007; *How to cut travel costs and still enjoy yourself*, Seattle Times, March 16, 2007; *Hidden Credit-Card Fees*, Kiplinger.com, Feb. 22, 2007; *Money Matters on the Road*, Independent Traveler, Feb. 8, 2007; *Beware of hidden service fees*, Miami Herald – online; *35 most outrageous fees (and how to avoid them)*, Money, Jan. 1, 2007; *Taking care of your child overseas*, CNNMoney.com, Sept. 7, 2006; *Abroad, credit cards are your best bet*, Miami Herald, July 27, 2006; *Choosing the right card to travel*, CNNMoney.com, July 26, 2007; *Vacationers, don’t get fleeced by high rates*, Erie Times-News, July 21, 2006; *Well spent: Read the fine print before using credit card abroad*, Seattle Post-Intelligence, July 12, 2006; *Wishing for more currency abroad? ATM card holds the key*, Denver Post, July 9, 2006; *Getting the best exchange rate*, Helena Independent Record, June 25, 2006; *High exchange fees can make foreign travelers bid adieu to their cash*, San Francisco Chronicle, June 25, 2006; *How to Get the Best Exchange Rate (and Avoid Fees)*, New York Times, June 24, 2006; *Card currency-conversion costs*, Bankrate.com, June 8, 2006; *When abroad, be careful how you pay*, US News & World Report, June 2, 2006; *Fees Make Using Credit Cards Abroad More Expensive*, Newhouse News Service, May 31, 2006; *Beware credit-card fees*, The Daily Herald, May 7, 2006; *What are these extra card fees, eh?*, Buffalo News, May 7, 2006; *How to make your frequent flier miles go much farther*, Seattle Times, April 27, 2006; *Fees for using ‘plastic’ overseas are adding up*, Rutland Herald, April 9, 2006; *Tom Parsons: Credit-card user fees can add up*, Dallas Morning News, April 1, 2006; *A Traveling Tip for Credit Card Users*, Washington Post, March 31, 2006; *Ways To Minimize Cost Of Conversion*, Pittsburgh Post-Gazette, March 19, 2006; *Overseas, the Shock of the Surcharge*, New York Times, Feb. 18, 2006; *Minimize Charge-Card Fees On Trips Abroad*, Wall Street Journal, Feb. 5, 2006; *Frequent Flier Mile Hassles*, Washington Post, Jan. 26, 2006; *Foreign exchange 101, part two: Fees for credit card use*, SmarterTraveler.com, Jan 12, 2006; *Avoid exchange-rate gouge with right card*, Kansas City Star, Nov. 6, 2005; *Look out for fees on foreign charges*, San Jose Mercury News, Nov. 6, 2005.

Capital One does not charge a fee on foreign transactions or transactions in a foreign currency.

<sup>22</sup> TILA § 122(c)(2)(C).

conducted by the Board, by the GAO, and by Capital One unanimously demonstrates that the term is confusing as a descriptor of the interest-free period between purchase and due date for customers who pay their balances in full. Though the term is mandated by Congress, this is a case where the Board's exception authority<sup>23</sup> can be used to choose something else.

The Board notes that consumers are capable of interpreting the term in at least two ways that are wrong in this context:

- Some consumers thought the term meant “the time after the payment due date that an issuer may give the consumer to pay the bill without charging a late-payment fee.”<sup>24</sup>
- Some consumers “incorrectly indicated that the grace period was the period of time promotional interest rates applied.”<sup>25</sup>

Clearly a better term needs to be found. In our comment letter in response to the Board's Advance Notice of Proposed Rulemaking, we suggested use of the term “interest-free period.” The Macro researchers found that that term was no easier to comprehend,<sup>26</sup> and we would be delighted if a more successful term were developed. We note, however, that the term “interest-free period” appears to have been preferred both by the consumers who participated in our research and by those who participated in Macro's research as being more descriptive,<sup>27</sup> and that it at least does not have the multiple *wrong* meanings that “grace period” demonstrably has.

In fact, we surmise from our own research that use of the term “grace period” may impair consumers' understanding of the term's definition even when that definition is spelled out for them. In our research, consumers shown the Board's proposed definition, in conjunction with the term “grace period,” persisted in their belief that the definition referred to some period of time after the due date, even though the definition does not say any such thing. Consumers were more successful in understanding the concept when we made *two* changes: First, using the term “interest-free period” and second, reorganizing the definition to say: “Your due date is [at least] 25 days after your bill is totaled each

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<sup>23</sup> TILA § 105(a).

<sup>24</sup> 72 Fed. Reg. at 32981; Macro International Inc., “Design and Testing of Effective Truth in Lending Disclosures,” May 16, 2007 (the “Macro Report”), p. vi.

<sup>25</sup> 72 Fed. Reg. at 32981, citing GAO Report on Credit Card Rates and Fees, at p. 50. This incorrect interpretation was also found by the Macro researchers: “[S]ome were confused by text that warned the grace period would be lost if the card holder did not pay the balance in full in each period. Several participants incorrectly stated that this meant they would lose their introductory APR if they did not make payments on time.” Macro Report, p. 40.

<sup>26</sup> Macro Report, p. 31.

<sup>27</sup> *Id.*

month. If you don't pay your bill in full by your due date, you will be charged interest on the remaining balance.”<sup>28</sup>

We suggest that the Board consider options like these as it continues to develop the Schumer Box disclosures, and include them in further consumer research if the Board conducts such further research.

**d. The proposed payment allocation disclosure can be made clearer and more comprehensive.**

We support the Board's proposal to include a disclosure about payment allocation in the revised Schumer Box. We think the subject is important enough that a disclosure belongs there.<sup>29</sup> But we think that the disclosure proposed by the Board can be improved in two respects.

- Our consumer research suggests that the content of the Board's proposed disclosure is not clear.
- As proposed by the Board, the disclosure would not be made in all the circumstances in which it would be relevant.

In both respects, we believe that disclosure practice currently common in the industry is actually superior to that proposed by the Board, with the critical difference that current disclosures are not included in the Schumer Box, because the current rules do not permit it.

First, with respect to content, the proposed disclosure combines two concepts in a single block of opaque text:

- The effect of payment allocation on a transferred low-rate balance.
- The fact that there is no interest-free period on purchases while a transferred balance is outstanding.

The consumer research that we conducted suggests that comprehension of these concepts is better if they are separately split out, so that consumers may focus on each individually. In our consumer research, we obtained better results for a model Schumer Box in which the subject of payment allocation was handled in a separate box, marked “payment allocation,” containing the following text:

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<sup>28</sup> We used this statement to reflect the 25-day interest-free period established in Virginia law, Virginia Code § 6.1-330.63(A).

<sup>29</sup> In our comments on the Board's Advance Notice of Proposed Rulemaking, we recommended that such a disclosure be included in the “Fact Sheet” that we proposed as a revised version of the Schumer Box. Capital One Letter of March 28, 2005, p. 6.

“Each payment you make will be applied in the following order:

- 1) Finance charges and fees.
- 2) Transactions (balance transfers; purchases; cash advances if applicable) in order of lowest to highest APR.”

Then, in the box dealing with the interest-free period, we included a disclosure: “Please note that if you transfer a balance, you will not be eligible for the [interest-free period.]”

We suggest that the Board consider disclosures of this type in its future consumer research.

Second, the Board’s proposed disclosure would be made only in cases of introductory-rate balance transfer offers. The payment-allocation method that an issuer uses, however, makes a financial difference whenever there is a possibility of different interest rates. That possibility exists with most modern credit card accounts, regardless of the presence of an introductory-rate balance transfer or other introductory rate, because most credit card accounts apply a different and higher interest rate to cash advances than to purchases. Although the Board obviously believed that introductory-rate balance transfers are the situation in which the payment allocation method has the most significant impact, the effect of payment allocation methodology can be significant in other cases too. The Board is probably aware that payment allocation methodology is one of the credit card subjects currently receiving attention in Congress. In those discussions, the leading anecdote that is used to illustrate the issue is not a balance transfer or introductory-rate incident, but rather an incident involving a cash advance.

In addition, the disclosure should be required not only when a new account is solicited and opened, but also when a balance-transfer offer is marketed to an existing account. Payment allocation would affect the value of such an offer in the same ways that concern the Board with respect to new-account offers.

In conclusion, we believe that the best payment allocation disclosure is one in which the concept of payment allocation is separated from the concept of the interest-free period and the impact of balance transfers on that concept, and in which the payment allocation disclosure is given for any account or offer where the possibility of differential interest rates exists (which would be nearly every account).

**e. The Board should provide for continuing customer access to the account-opening Schumer Box.**

In its Advance Notice of Proposed Rulemaking, the Board asked how to achieve continuing customer access to the account-opening disclosures.<sup>30</sup> We thought that was a desirable objective, and we suggested ways to achieve it.<sup>31</sup>

In its current Notice, the Board has not proposed a way to make the account-opening disclosures available on a continuing basis. The Board has proposed various requirements for communicating changes in the terms of the account, such as the change in terms notice,<sup>32</sup> the default repricing notice,<sup>33</sup> and notices of changes in fees that are not included in the account-opening Schumer Box,<sup>34</sup> and of course, various terms are included on every periodic statement. All of those required communications are good ideas, but they do not fully meet the need for continuing access to a comprehensive set of terms of the customer's account. As the Board notes in the context of repricing, "the account-opening disclosures may be provided to the consumer too far in advance for the consumer to recall the circumstances ... In addition, the consumer may not have retained a copy of the account-opening disclosures and may not be able to effectively link the information disclosed at account-opening to the current repricing ..."<sup>35</sup> For the same reasons, consumers may not have ready access to other terms of their accounts that may also be important.

To meet this need, we propose that the account-opening Schumer Box (appropriately updated to reflect any subsequent changes) be made available to customers on-line. We believe that this can be achieved without undue burden. Those customers who do not have on-line access should be able to request a hard copy by mail.

**3. Periodic Statements**

**a. The Board should provide flexibility to adjust the disclosure of risk of repricing for late payment to make it accurate for customers who are being or have been repriced.**

We agree with the Board that the late-payment disclosure mandated by the Bankruptcy Reform Act should not be limited to risk of a late fee, but should include risk

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<sup>30</sup> 69 Fed. Reg. 70925, 70929 (December 4, 2004).

<sup>31</sup> See our letter of March 28, 2005, at p. 8.

<sup>32</sup> Proposed Regulation Z § 226.9(c), 72 Fed. Reg. at 33056.

<sup>33</sup> *Id.* § 226.9(g), 72 Fed. Reg. at 33058..

<sup>34</sup> *Id.* § 226.9(c)(2)(ii), 72 Fed. Reg. at 33056.

<sup>35</sup> 72 Fed. Reg. at 33012.



of repricing as well, for the reason that the Board stated: The effect of repricing is no less significant, and may be much more so, than the late fees.<sup>36</sup> However, the disclosure that the Board prescribes may not be correct for a customer who is actually being or has been repriced. The problem is illustrated by the Board's own sample G-18(H),<sup>37</sup> which includes the warning, "If we do not receive your minimum payment by the date listed above, ... your APRs may be increased up to the penalty APR of 28.99%," but also includes, before the transactions, the disclosure "You have triggered the penalty APR of 28.99%. Effective 5/10/07, we will apply the penalty rate to all balances on this account ..." These disclosures are inconsistent and therefore confusing. The late-payment warning should state that the repricing has already been triggered. Or, possibly, the repricing portion of the late-payment warning can be omitted, if it would add nothing to the repricing notice that appears below it. On the other hand, if a further late payment may trigger a further rate increase, then the late-payment warning should say that, rather than what it does say in this sample. In subsequent periods, the late-payment warning should say that the account is already at the penalty APR and will remain there until a specified time passes with good behavior (assuming that that statement is true).

Although these modifications would complicate the disclosure regime somewhat, they are necessary to make the disclosures accurate, meaningful, and actionable by the consumer.

**b. Some flexibility in layout of the periodic statement is desirable, and is consistent with the rules that the Board has proposed.**

In our consumer research, the Board's proposed form of periodic statement fared well in communicating important information successfully to consumers. Our consumer research did indicate that some variations from the sample form provided by the Board would be desirable. Those changes, which we believe are within the mandates of the proposed rules, and therefore do not require changes in the proposed rules (though they might usefully be endorsed in the Board's supplementary information), are shown in Attachment A to this letter. Those changes include the following:

- The "summary of account activity" is moved further down on the left side, underneath the payment information.
- The payment information is moved to the top left from the top right.
- The table disclosing changes in account terms is moved from the middle of the page to the top right, on the same level as the payment information.

These shifts in placement achieve several things desired by the consumers who participated in our research:

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<sup>36</sup> 72 Fed. Reg. at 33000.

<sup>37</sup> 72 Fed. Reg. at 33081.

- The consumers thought that the table disclosing changes in account terms was important enough that it should be at the top.
- The consumers also thought that the payment information was important enough that it too should be at the top.
- This juxtaposition of elements, while moving the table of changes in terms to a more prominent location, retains that table's proximity to the transactions, which the consumers also desired.
- This organization also enables a significant number of the transactions to appear on the first page of the statement. Consumers want this, but the transactions could otherwise be substantially crowded off the first page by significant term changes requiring a large table.
- At the same time, this organization allows extra space for such things as financial advice to customers (Attachment A shows a set of financial principles that Capital One frequently sends customers, appearing on a tear-off above the periodic statement), rewards information, which is important to many consumers, and marketing information (a legitimate use of periodic statement space if the statement otherwise meets the requirements of Regulation Z).

We note that the Board's proposed form of periodic statement is adapted to the needs of consumers who tend to revolve a balance. So is our proposed Attachment A. Consumers in our research population who pay down their balance every month, on the other hand, are less interested in much of the information on the periodic statement, and more interested in a succinct version of payment information such as Capital One currently provides in a set of "bubbles" that run across the top of the periodic statement. It would be possible to combine a disclosure of that kind with the box format that the Board currently proposes. Attachment B shows how that might be done while still meeting the requirements of the proposed Regulation Z.

**c. The Board should eliminate the "effective APR" disclosure.**

Although we are impressed with the time and effort that the Board has invested in the "fee-inclusive APR" as one alternative solution to the "effective APR" problem, we believe that that alternative simply makes the best of a bad situation: The "effective APR" is inherently confusing and not meaningful. The proposed disclosures of fees on the periodic statement are a more effective way of communicating account costs that are associated with fees. Consequently, the Board should eliminate the effective APR.

**d. It is not necessary for the Board to ask Congress to lengthen the Truth in Lending Act's 14-day minimum for interest-free periods.**

The Board asks “whether it should recommend to Congress that the 14-day period be increased to a longer time period, so that consumers will have additional time to receive their statements and mail their payments to ensure that payments will be received by the due date ...”<sup>38</sup> While we appreciate the Board’s concern with this issue, we believe that it is clearly not necessary to ask Congress to make this change. The Truth in Lending Act states that the periodic statement must be “mailed *at least* 14 days prior to the date specified in the statement by which payment must be made in order to avoid imposition of a finance charge.”<sup>39</sup> The statute does not say that the minimum period may not be longer, and the Board may make it so by rule. That the Board has ample rulemaking authority to make that change is illustrated by other changes that the Board is proposing to make without any Congressional authorization, notably:

- Extending the 15-day period for change-in-terms notices (itself not mandated by TILA) to 45 days.
- Creating a 45-day advance notice for penalty repricing where TILA does not require any advance notice.

So the Board should feel comfortable making this change if it wishes. With respect to the Board’s further question of what additional time would be appropriate, we believe that an additional week would be ample, extending the period from 14 to 20 or 21 days.

**e. The minimum-payment disclosure should be mandated for a more meaningful population of consumers.**

We endorse the Board’s decision not to mandate delivery of the minimum-payment disclosures to all customers. Instead, the Board proposes to make the disclosures mandatory for all customers who have not paid their balance in full for at least the two preceding periods.<sup>40</sup> However, the population who would receive the disclosure under that principle would still include very many people who do not need it and would likely ignore it. Those consumers who may need the disclosure are those who pay the minimum, and the population who receive the disclosure should be defined on that basis. At Capital One, we deliver a minimum-payment warning to all those customers who have paid only the minimum amount for the previous three periods. While there is no magic to defining the population in that precise way, we believe that the relevant population should be defined as consumers having some relationship to the minimum payment.

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<sup>38</sup> 72 Fed. Reg. at 32973.

<sup>39</sup> TILA § 163(a) (emphasis added).

<sup>40</sup> 72 Fed. Reg. at 33004-05.

We note that the disclosure prescribed by the Bankruptcy Reform Act is a dense block of prose. If it is repeated incessantly for consumers whether they need it or not, it is likely to be overlooked and ignored, and hence fail in its purpose.

#### **4. Billing Disputes**

**a. The Board should not interpret TILA’s billing-dispute provisions to discourage credit card issuers from supporting use of third-party payment systems.**

The Board has proposed a new comment 13(a)(3)-2 that would extend the “billing error” concept of disputes about property or services that are not accepted by the consumer or not delivered as agreed, to purchases made through a third-party payment intermediary. In those circumstances, the party to whom the credit card issuer delivers the funds – the merchant for purposes of the credit card network – is the third-party payment intermediary, and not the seller of goods or services to the credit card issuer’s customer. No infrastructure may exist to enable investigation, dispute resolution, and if necessary, charge-back to that seller. Nevertheless, the Board’s proposed comment states: “Under these circumstances, the property or service for which the extension of credit is made is not the payment service, but rather the good or service that the consumer has purchased using the payment service.”<sup>41</sup> However, in the absence of a framework for conducting investigations and making charge-backs, there is no basis for extending the meaning of the statute as the Board proposes.

The Board’s reasoning is as follows:

- “Because the consumer has billing error rights with respect to purchases made with checks that access a credit card account, the Board believes the same result should apply when the customer makes a purchase using a third-party intermediary funded using the same credit card account.”<sup>42</sup> And:
- “[T]he Board believes that there is little difference between a consumer using his or her credit card to make a payment directly to the merchant on the merchant’s Internet Web site or to make a payment to the merchant through a third-party intermediary.”<sup>43</sup>

Neither argument supports the comment that the Board proposes.

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<sup>41</sup> *Id.* at 33136.

<sup>42</sup> *Id.* at 33017.

<sup>43</sup> 72 Fed. Reg. at 33017-18.

- While the Board is correct that access checks are not supported by a credit card network permitting investigations and charge-backs, the credit card issuer delivers funds directly (by means of the check) to the merchant, and therefore the merchant transaction is the transaction to which the statute's billing rights must apply – whether there is a network to facilitate disputes or not. In the third-party payment situation, the credit card issuer delivers funds to the third-party payment system, and it is that transaction to which the statute's billing-rights provisions should apply, unless policy consideration compel the provisions to be extended downstream. Instead, policy considerations militate against such extension, because of the absence of such a dispute-resolution mechanism. Further, in the case of access checks, while the credit card issuer takes the risk in issuing the access checks that they may give rise to disputes that are not easy to resolve, the issuer can control that risk by not issuing a check, or by issuing it in a limited amount, or issuing limited numbers. Moreover, access checks are often used to pay other debt, in which disputes over goods and services would not arise. But disputes involving the third-party payment system will always be disputes involving goods and services. And, that risk is harder for the credit card issuer to control or minimize – except by blocking transactions with the third-party payment provider altogether, a result that the Board might prefer not to encourage.
- Payments made by the customer directly to a merchant through its website are not at all comparable to payments made using a third-party payment system. The reason is that the merchant is part of the credit card network, which provides an existing infrastructure for dispute resolution. The Board's reasoning ignores that critical distinction.

In sum, the Board should not introduce a significant obstacle to the use of third-party payment systems by extending a set of rights and responsibilities where the statute does not require it, and where there is no infrastructure in place to enable the credit card issuer to administer those rights.

**b. The Board should give effect to the \$50 forfeiture provision of TILA § 161(e).**

The Board proposes to add a new comment interpreting the Truth in Lending Act's requirement that the lender must resolve billing disputes within two cycles after receiving a customer notice. Proposed comment 13(c)(2)-2 would say that “once the two-billing cycle period for completing an investigation of an alleged billing error has expired, a creditor may not reverse any amounts previously credited related to that alleged billing error, *even if the creditor subsequently obtains evidence indicating that the billing error did not occur as asserted by the consumer.*”<sup>44</sup> But the statute in fact does not include such a draconian rule. Instead, the statute says: “Any creditor who fails to comply with the requirements of this section ... forfeits any right to collect from the

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<sup>44</sup> 72 Fed. Reg. at 33137 (emphasis added).

obligor the amount indicated by the obligor ... *except that the amount required to be forfeited under this subsection may not exceed \$50.*"<sup>45</sup>

By precluding the lender in any case from charging a disputed amount to the customer outside the two-cycle window, the Board would render § 162(e) a dead letter. It is, of course, a fundamental principle of statutory construction that every provision should be given meaning.<sup>46</sup>

As a practical matter, most disputes are resolved in far less time than two billing cycles. However, the statutory provision exists for a good reason: Some disputes cannot be resolved within two billing cycles, and in some of those cases, the consumer in fact owes the disputed amount. Notably, Regulation Z does not apply to merchants. Decisive evidence to resolve a dispute is likely to come from the merchants with whom the consumer was dealing, and those merchants are not bound by the two-cycle period. The statute resolves this dilemma, while enforcing the two-cycle requirement, by providing that only a significant transaction (more than \$50) may be rebilled outside the two-cycle period, and then only subject to the \$50 forfeiture. Without such a compromise solution, the consumer who in fact owes the disputed amount would receive an undeserved windfall, an outcome that Congress obviously balanced against the need for finality. The Board should not upset that balance.

\* \* \*

Capital One appreciates the opportunity to comment on the Board's proposed rule revisions. If you have any questions about this matter and our comments, please call me at 703-720-1030.

Sincerely,

/s/

John G. Finneran, Jr.  
General Counsel

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<sup>45</sup> TILA § 162(e) (emphasis added).

<sup>46</sup> *E.g.*, *Duncan v. Walker*, 530 U.S. 167, 174 (2001).

# **Attachment A**



## Keep your Finances Fit

- Know your credit limit and the amount of credit available for your use.
- Maintain a good credit history ... it affects more areas of your life than just your ability to get a credit card.
- Use a budget to help you see what you can afford to buy now and to help you save for the future.
- Understand that the cost of credit includes fees as well as interest.
- Request a copy of your credit report from a credit reporting bureau regularly.



www.yourbank.com

February 21, 2007 - March 22, 2007

Visa® Platinum Account 9999-9999-9999-9999

Page 1 of 2

### Payment Information

New Balance **\$1,784.53**  
Minimum Payment Due **\$48.00**  
Payment Due Date **4/20/07 (before 2:00 pm)**

**Late Payment Warning:** If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

**Notice about Minimum Payments:** If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example, if you had a balance of \$1,000 at an interest rate of 17% and always paid only the minimum required, it would take over 7 years to repay this balance. For an estimate of the time it would take to repay your actual balance making only minimum payments, call 1-800-214-5079.

### Summary of Account Activity

Previous Balance	\$535.07
Payments	-\$450.00
Other Credits	-\$13.45
Purchases	+\$529.57
Balance Transfers	+\$785.00
Cash Advances	+\$318.00
Past Due Amount	+\$0.00
Fees Charged	+\$69.45
Interest Charged	+\$10.89
<b>New Balance</b>	<b>\$1,784.53</b>

Credit limit	\$2,000.00
Available credit	\$215.47
Statement closing date	3/22/2007
Days in billing cycle	30

### Important Changes to Your Account Terms

The following is a summary of changes that are being made to your account terms. You have the right to opt out of these changes. For more detailed information, please refer to the booklet enclosed with this statement. The effective date of these changes is 5/10/07. Note: The change to your APR for purchases described below will not go into effect at this time if you are already being charged a higher Penalty APR on purchases. This change will go into effect when the Penalty APR no longer applies.

#### Revised Terms, as of 5/10/07

APR for Purchases	16.99%
Late Payment Fee	\$32 if your balance is less than or equal to \$1,000; \$39 if your balance is more than \$1,000

### Transactions

Reference Number	Trans Date	Post Date	Description	Amount
Payments and Other Credits				
00000000000000000000	2/25	2/25	PAYMENT - Thank you	\$450.00-
00000000000000000000	3/4	3/5	Store #13	\$13.45-
Purchases				
00000000000000000000	2/22	2/23	Store #1	\$2.05
00000000000000000000	2/22	2/23	Store #2	\$12.11
00000000000000000000	2/22	2/23	Store #3	\$4.63
00000000000000000000	2/2	2/23	Store #4	\$2.05
00000000000000000000	2/22	2/23	Store #5	\$12.11
00000000000000000000	2/22	2/23	Store #6	\$4.63
00000000000000000000	2/22	2/23	Store #7	\$2.05
00000000000000000000	2/22	2/23	Store #8	\$12.11
00000000000000000000	2/22	2/23	Store #9	\$4.63
00000000000000000000	2/22	2/23	Store #10	\$2.05
00000000000000000000	2/28	3/1	Store #11	\$14.76
00000000000000000000	3/1	3/2	Store #12	\$3.76
00000000000000000000	3/1	3/3	Store #13	\$13.45
00000000000000000000	3/2	3/6	Store #14	\$2.35
00000000000000000000	3/5	3/12	Store #15	\$25.00
00000000000000000000	3/11	3/12	Store #16	\$7.34
00000000000000000000	3/11	3/16	Store #17	\$10.56
00000000000000000000	3/15	3/17	Store #18	\$24.50

(TRANSACTIONS CONTINUED NEXT PAGE)

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION



**At Your Service 1-800-214-5079**

To call Customer Relations or to report a lost or stolen card



**Send inquiries to:**

YOUR BANK SERVICES • P. O. BOX 85015 •  
RICHMOND, VA 23285-5015

PLEASE RETURN THIS PORTION WITH YOUR PAYMENT OR LOG ON TO WWW.YOURBANK.COM TO MAKE YOUR PAYMENT ONLINE



0000000 0 9999999999999999 00 99990001000001000004256

New Balance

\$1,784.53

Minimum Payment

\$48.00

Due Date

4/20/07

PLEASE PAY AT LEAST  
THIS AMOUNT

BEFORE 2:00 PM EST

Amount Enclosed

.

YOUR BANK  
ATTN: REMITTANCE PROCESSING  
PO BOX 85547  
RICHMOND VA 23285-5547



Account Number: 9999-9999-9999-9999

Please print address or phone number changes below using blue or black ink.

Address

Home Phone

Alternate Phone

E-mail address

@

#9999999999999999# MAIL ID NUMBER

JOHN Q. CUSTOMER

JANE Q. CUSTOMER

APT NO 00

123 MAIN STREET

ANY CITY, ANYWHERE 23285-5547



Please write your account number on your check or money order made payable to YourBank and mail with this coupon in the enclosed envelope.





Fee-Inclusive APR			
The Fee-Inclusive APRs in this table are the APRs that you paid this period when transaction or fixed fees are taken into account as well as interest.			
Type of Balance	Interest Charges	Transaction or Fixed Fees	Fee-Inclusive APR
Purchases	\$6.31	\$0.00	14.99%
Cash Advances	\$4.58	\$10.90	58.42%
Balance Transfers	\$0.00	\$23.55	36.00%

Interest Charge Calculation			
Your Annual Percentage Rate (APR) is the annual interest rate on your account.			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99% (v)	\$512.14	\$6.31
Cash Advances	21.99% (v)	\$253.50	\$4.58
Balance Transfers	0.00%	\$637.50	\$0.00
(v) = Variable Rate			

Transactions (continued)				
Reference Number	Trans Date	Post Date	Description	Amount
00000000000000000000	3/16	3/17	Store #19	\$8.76
00000000000000000000	3/17	3/18	Store #20	\$14.23
00000000000000000000	3/19	3/20	Store #21	\$23.76
Cash Advances				
00000000000000000000	2/22	2/23	Cash Advance	\$121.50
00000000000000000000	2/22	2/23	Cash Advance	\$196.50
Balance Transfers				
00000000000000000000	2/22	2/23	Balance Transfer	\$785.00
Fees				
00000000000000000000	2/23	2/23	Late Fee	\$35.00
00000000000000000000	2/26	2/26	Cash Advance Fee	
			*Transaction Fee*	\$5.00
00000000000000000000	2/27	2/27	Balance Transfer Fee	
			*Transaction Fee*	\$23.55
00000000000000000000	2/28	2/28	Cash Advance Fee	
			*Transaction Fee*	\$5.90
TOTAL FEES THIS PERIOD				\$69.45
Interest Charged				
Interest Charge on Purchases				\$6.31
Interest Charge on Cash Advances				\$4.58
TOTAL INTEREST THIS PERIOD				\$10.89
2007 Totals Year-To-Date				
Total fees charged in 2007				\$90.14
Total interest charged in 2007				\$18.27

Did you know that YourBank also offers Home Equity and Mortgage products? Consolidate debt with one low rate and take advantage of our high loan amounts. Visit [www.yourbank/homeequity.com](http://www.yourbank/homeequity.com) today to learn how you can save with a brand you trust!

Thank you for choosing YourBank. Remember, your account terms may change if your account does not remain in good standing. Any new terms will take effect as stated in your offer within three billing cycles.

# **Attachment B**



## Keep your Finances Fit

- Know your credit limit and the amount of credit available for your use.
- Maintain a good credit history ... it affects more areas of your life than just your ability to get a credit card.
- Use a budget to help you see what you can afford to buy now and to help you save for the future.
- Understand that the cost of credit includes fees as well as interest.
- Request a copy of your credit report from a credit reporting bureau regularly.



www.yourbank.com

Previous Balance	Payments & Credits	Finance Charges	Transactions	New Balance	Minimum Payment	Due Date
\$1,423.64	-\$450.00	+\$10.89	+\$800.00	\$1,784.53	\$48.00	Apr. 20, 2007

February 21, 2007 - March 22, 2007

Visa® Platinum Account 9999-9999-9999-9999

Page 1 of 2

Summary of Account Activity	
Previous Balance	\$535.07
Payments	-\$450.00
Other Credits	-\$13.45
Purchases	+\$529.57
Balance Transfers	+\$785.00
Cash Advances	+\$318.00
Past Due Amount	+\$0.00
Fees Charged	+\$69.45
Interest Charged	+\$10.89
New Balance	\$1,784.53
Credit limit	\$2,000.00
Available credit	\$215.47
Statement closing date	3/22/2007
Days in billing cycle	30

Payment Information	
New Balance	\$1,784.53
Minimum Payment Due	\$48.00
Payment Due Date	4/20/07 (before 2:00 pm)
<b>Late Payment Warning:</b> If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.	
<b>Notice about Minimum Payments:</b> If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example, if you had a balance of \$1,000 at an interest rate of 17% and always paid only the minimum required, it would take over 7 years to repay this balance. For an estimate of the time it would take to repay your actual balance making only minimum payments, call 1-800-XXX-XXXX.	

Important Changes to Your Account Terms	
The following is a summary of changes that are being made to your account terms. You have the right to opt out of these changes. For more detailed information, please refer to the booklet enclosed with this statement. The effective date of these changes is 5/10/07. Note: The change to your APR for purchases described below will not go into effect at this time if you are already being charged a higher Penalty APR on purchases. This change will go into effect when the Penalty APR no longer applies.	
Revised Terms, as of 5/10/07	
APR for Purchases	16.99%
Late Payment Fee	\$32 if your balance is less than or equal to \$1,000; \$39 if your balance is more than \$1,000

Transactions				
Reference Number	Trans Date	Post Date	Description	Amount
Payments and Other Credits				
00000000000000000000	2/25	2/25	PAYMENT - Thank you	\$450.00-
00000000000000000000	3/4	3/5	Store #13	\$13.45-
Purchases				
00000000000000000000	2/22	2/23	Store #1	\$2.05
00000000000000000000	2/22	2/23	Store #2	\$12.11
00000000000000000000	2/22	2/23	Store #3	\$4.63
00000000000000000000	2/2	2/23	Store #4	\$2.05
00000000000000000000	2/22	2/23	Store #5	\$12.11
00000000000000000000	2/22	2/23	Store #6	\$4.63
00000000000000000000	2/22	2/23	Store #7	\$2.05
00000000000000000000	2/22	2/23	Store #8	\$12.11
00000000000000000000	2/22	2/23	Store #9	\$4.63
00000000000000000000	2/22	2/23	Store #10	\$2.05
00000000000000000000	2/28	3/1	Store #11	\$14.76
00000000000000000000	3/1	3/2	Store #12	\$3.76
00000000000000000000	3/1	3/3	Store #13	\$13.45
00000000000000000000	3/2	3/6	Store #14	\$2.35
00000000000000000000	3/5	3/12	Store #15	\$25.00
00000000000000000000	3/11	3/12	Store #16	\$7.34
00000000000000000000	3/11	3/16	Store #17	\$10.56
00000000000000000000	3/15	3/17	Store #18	\$24.50

(TRANSACTIONS CONTINUED NEXT PAGE)

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION

PLEASE RETURN THIS PORTION WITH YOUR PAYMENT OR LOG ON TO WWW.YOURBANK.COM TO MAKE YOUR PAYMENT ONLINE



0000000 0 9999999999999999 00 99990001000001000004256

New Balance	Minimum Payment	Due Date
\$1,784.53	\$48.00	4/20/07
PLEASE PAY AT LEAST THIS AMOUNT BEFORE 2:00 PM EST		
Amount Enclosed		

YOUR BANK  
ATTN: REMITTANCE PROCESSING  
PO BOX 85547  
RICHMOND VA 23285-5547



Account Number: 9999-9999-9999-9999

Please print address or phone number changes below using blue or black ink.

Address

Home Phone Alternate Phone

E-mail address @

#9999999999999999# MAIL ID NUMBER  
JOHN Q. CUSTOMER  
JANE Q. CUSTOMER  
APT NO 00  
123 MAIN STREET  
ANY CITY, ANYWHERE 23285-5547



Please write your account number on your check or money order made payable to YourBank and mail with this coupon in the enclosed envelope.



Interest Charge Calculation			
Your Annual Percentage Rate (APR) is the annual interest rate on your account.			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99% (v)	\$512.14	\$6.31
Cash Advances	21.99% (v)	\$253.50	\$4.58
Balance Transfers	0.00%	\$637.50	\$0.00
(v) = Variable Rate			

Fee-Inclusive APR			
The Fee-Inclusive APRs in this table are the APRs that you paid this period when transaction or fixed fees are taken into account as well as interest.			
Type of Balance	Interest Charges	Transaction or Fixed Fees	Fee-Inclusive APR
Purchases	\$6.31	\$0.00	14.99%
Cash Advances	\$4.58	\$10.90	58.42%
Balance Transfers	\$0.00	\$23.55	36.00%

Rewards Summary	
(reflects transactions posted during this billing cycle)	
PREVIOUS BALANCE:	3.87
EARNED THIS PERIOD:	1.94
ADJUSTMENTS:	
REDEEMED THIS PERIOD	3.00
EXPIRED/FORFEITED THIS PERIOD:	0.00
ACCOUNT STATUS ADJUSTMENTS	0.00
AVAILABLE BALANCE	2.81

Transactions (continued)				
Reference Number	Trans Date	Post Date	Description	Amount
00000000000000000000	3/16	3/17	Store #19	\$8.76
00000000000000000000	3/17	3/18	Store #20	\$14.23
00000000000000000000	3/19	3/20	Store #21	\$23.76
Cash Advances				
00000000000000000000	2/22	2/23	Cash Advance	\$121.50
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00000000000000000000	2/22	2/23	Balance Transfer	\$785.00
Fees				
00000000000000000000	2/23	2/23	Late Fee	\$35.00
00000000000000000000	2/26	2/26	Cash Advance Fee	
			*Transaction Fee*	\$5.00
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			*Transaction Fee*	\$23.55
00000000000000000000	2/28	2/28	Cash Advance Fee	
			*Transaction Fee*	\$5.90
TOTAL FEES THIS PERIOD				\$69.45
Interest Charged				
Interest Charge on Purchases				\$6.31
Interest Charge on Cash Advances				\$4.58
TOTAL INTEREST THIS PERIOD				\$10.89
2007 Totals Year-To-Date				
Total fees charged in 2007			\$90.14	
Total interest charged in 2007			\$18.27	

Did you know that YourBank also offers Home Equity and Mortgage products? Consolidate debt with one low rate and take advantage of our high loan amounts. Visit [www.yourbank/homeequity.com](http://www.yourbank/homeequity.com) today to learn how you can save with a brand you trust!

Thank you for choosing YourBank. Remember, your account terms may change if your account does not remain in good standing. Any new terms will take effect as stated in your offer within three billing cycles.